

Message Text

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ORIGIN ARA-17

INFO OCT-01 ADP-00 AID-20 EB-11 IGA-02 CIAE-00 INR-10

NSAE-00 RSC-01 L-03 SPM-01 SNM-02 TRSE-00 OMB-01

OPIC-12 H-02 CIEP-02 XMB-07 SS-15 NSC-10 PA-03 PRS-01

USIE-00 INRE-00 NSCE-00 SSO-00 /121 R

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AA/ LA: HKLEINE(SUBSTANCE)

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

INFO AMCONSUL RIO DE JANEIRO IMMEDIATE

C O N F I D E N T I A L STATE 095947

E. O. 11652: GDS

TAGS: PFOR, BR

SUBJECT: FY 74 CASP-- IG REVIEW

REF: BRASILIA 2757

1. INFORMATION CONTAINED PARA ONE REFTEL CORRECT.

APPROVED DECISION MEMORANDUM ACCOMPANYING REVISED

APPROVED 1974 CASP READS AS FOLLOWS:

U. S. BILATERAL ASSISTANCE. THE IG DETERMINED
THAT THE BILATERAL ASSISTANCE PROGRAM FOR BRAZIL
SHOULD BE PHASED OUT AND THAT SUBSTANTIAL PROGRESS
SHOULD BE MADE TOWARD THIS OBJECTIVE DURING THE
CASP TIME FRAME. TO THIS END, THE IG REACHED
THE FOLLOWING CONCLUSIONS:

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(1) THE AID PROGRAM FOR BRAZIL SHOULD BE TERMINATED CONCURRENTLY WITH THE FULL DISBURSEMENT OF THE EXISTING AID LOAN PIPELINE AND IN ANY CASE NO LATER THAN FY 1978.

(2) THE BILATERAL PROGRAM FOR EACH YEAR UNTIL TERMINATION SHOULD BE APPRECIABLY SMALLER THAN THAT FOR THE PRECEDING YEAR. THESE PROGRAMS SHOULD NOT EXCEED \$5-6 MILLION IN FY 1974 AND \$3-4 MILLION IN FY 1975, MOVING TO AN AUSTERE MONITORING LEVEL THEREAFTER.

(3) THE COUNTRY TEAM SHOULD FORTHWITH PREPARE A PLAN FOR PHASING THE BILATERAL PROGRAM DOWN AND OUT AND RECOMMEND THE MANNER IN WHICH THIS INTENTION SHOULD BE MADE KNOWN TO THE GOVERNMENT OF BRAZIL.

(4) THE PHASE- OUT OF THE AID PROGRAM WILL NOT PRECLUDE FURTHER AID FINANCING OF NARCOTICS CONTROL AND FAMILY PLANNING ACTIVITIES IN BRAZIL. IN THE CASE OF FAMILY PLANNING THE INTERNATIONAL INSTITUTIONS SHOULD BE CONSIDERED FIRST. AID WILL ALSO CONTINUE TO BE WILLING TO PROVIDE SERVICES TO BRAZIL ON A REIMBURSABLE BASIS.

2. IN IG DISCUSSIONS OF CT PROPOSALS CONTAINED IN CASP SUBMISSION THERE WAS UNANIMOUS VIEW THAT IDEA OF INDEFINITELY CONTINUING \$5-6 MILLION TA PROGRAM FOR BRAZIL WAS UNREALISTIC AND UNWISE GIVEN THE RAPID DEVELOPMENT OF BRAZIL, ITS STURDY RESERVE POSITION, INCREASED CONGRESSIONAL HOSTILITY TO INDEFINITELY CONTINUING ASSISTANCE PROGRAMS, AND ESTIMATES OF THE REQUIREMENTS FOR A " MATURE PARTNERSHIP" WITH A COUNTRY RAPIDLY EMERGING AS A WORLD POWER. SEVERAL AGENCIES FELT THAT CONSIDERATION SHOULD BE GIVEN TO IMMEDIATE TERMINATION AND THE LEVELS SHOWN IN THE DECISION MEMORANDUM ARE THE HIGHEST ON WHICH AGREEMENT COULD BE OBTAINED.

3. IMMEDIATE CESSATION OF THE BILATERAL CONCESSIONAL
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ASSISTANCE WAS AVOIDED ONLY BY THE PERSUASIVENESS OF TWO ARGUMENTS: 1. THAT THE SIZABLE LOAN PIPELINE WOULD REQUIRE SOME A. I. D. PRESENCE FOR MONITORING PURPOSES FOR SEVERAL MORE YEARS, AND 2. GIVEN THE SUCCESS OF OUR PAST PROGRAMS IN HELPING BRAZIL AND THE CURRENT GOOD STATE OF OUR RELATIONS, OUR PHASE- OUT SHOULD BE SUFFICIENTLY GRADUAL TO AVOID THE CHARGE OF ARBITRARY

AND PEREMPTORY UNILATERAL ACTION.

4. ON THE OTHER HAND IT WAS AGREED IN THE IG THAT REAL AND PROVABLE PROGRESS TOWARD PHASE- OUT MUST BE MADE IN ORDER TO AVOID OR BLUNT CONGRESSIONAL ATTACKS ON A CONTINUING AID PROGRAM IN BRAZIL WITH ITS RISK OF SUBSEQUENT MANDATORY, PEREMPTORY TERMINATION.

5. JOHN HANNAH INFORMED OF ABOVE AND APPROVES.

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*** Current Classification *** CONFIDENTIAL

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